Financial Reporting Bulletin

September 2000

• *Office of Thrift Supervision* •
• *Office of Research and Analysis* • *Financial Reporting Division* •
1700 G Street, N.W., Washington, DC 20552

TFR DEADLINE MONDAY, OCTOBER 30, 2000
CMR DEADLINE TUESDAY, NOVEMBER 14, 2000

It is important that you read this bulletin and the attached materials before submitting your September TFR.

THIRD QUARTER REGULATORY REPORTS

Report preparers should complete and transmit the September 2000 TFR as soon as possible after the close of the quarter. All schedules except CMR are due no later than Monday, October 30, 2000. Schedule CMR is due no later than Tuesday, November 14. ***Savings institutions that are exempt from filing Schedule CMR but choose to voluntarily file must follow the same filing deadlines as those institutions that are required to file. Institutions that fail to meet the filing deadline may not receive their interest rate risk reports for the quarter.*** Two days after transmitting CMR, voluntary filers should view their transmission log to determine if transmission was successful. If you do not have an acknowledgment of transmission, contact Doris Jackson (972-281-2052 or doris.jackson@ots.treas.gov) to determine if OTS received your CMR filing.

Please remember to check your institution information, including: the name of the report preparer, telephone number, e-mail, and web site addresses, each time you submit a report.

If you have any questions concerning the preparation of your report, please call your Financial Reporting Division contact in Dallas, Texas, or Trudy Reeves in Washington, DC, at 202-906-7317. If you have a problem with the electronic filing software or transmission, call Cheyann Houts at 972-281-2412 or Doris Jackson at 972-281-2052. If you need additional copies of the TFR form or instruction manual, call 202-906-6078, send an e-mail to tfr.instructions@ots.treas.gov, or obtain them from the OTS web site at www.ots.treas.gov/ tfrpage.html.

The Financial Reporting Division of the Office of Thrift Supervision publishes the "Financial Reporting Bulletin" quarterly and distributes it to all OTS regulated institutions. The bulletin's purpose is to provide the Thrift Financial Report preparer with reporting information and guidelines. Please send comments and suggestions on this bulletin to Patrick G. Berbakos, Director, Financial Reporting Division, Office of Thrift Supervision, at the above address, or by e-mail to patrick.berbakos@ots.treas.gov.

HMDA SOFTWARE

The Office of Thrift Supervision (OTS) has arranged for the Federal Financial Institutions Examination Council (FFIEC) to provide free HMDA software to OTS-regulated thrift institutions required to report HMDA data. Institutions that were required to report HMDA data last year should receive the software by September 30, 2000. If your institution has not received the software by September 30, please contact Cassandra Beasley at 972-281-2411. Institutions that are newly required to file HMDA will receive the free software later this year.

The Federal Reserve Board developed the software to assist you in the preparation, collection, and transmission of the HMDA data. Internet e-mail transmission of the 2000 HMDA data is encouraged. Year 2000 HMDA data must be filed by March 1, 2001, by depositary institutions with more than $30 million in assets as of the last day of 1999.

SFAS NO. 133
ACCOUNTING FOR DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

SFAS No. 133 is effective for all institutions with their fiscal year beginning after June 15, 2000. The implementation schedule is as follows:

Fiscal Year End	Adoption Date	Reflected in TFR
June	July 1, 2000	September 30, 2000
September	October 1, 2000	December 31, 2000
December	January 1, 2001	March 31, 2001
March	April 1, 2001	June 30, 2001

The TFR instructions for September 2000 clarify the reporting of derivatives and hedging under SFAS No. 133 on Schedules SC (Statement of Condition) and CCR (Capital Requirements). The revised instructions state:

- Individual assets and liabilities are adjusted for: (1) unamortized deferred gains and losses on hedging transactions closed prior to adoption of SFAS No. 133 and (2) accumulated gain or loss (change in fair value) on the asset or liability attributable to the designated risk being hedged on a qualifying fair value hedge under SFAS No. 133.
- The fair value of all derivative instruments reportable as assets (liabilities) under SFAS No. 133 are reported in Other Assets (Other Liabilities), using code 20;
- Other Asset Code 17 and Other Liability Code 03, deferred net losses (gains) on asset/liability hedges, are used only if you have not yet adopted SFAS No. 133.

PROPOSED 2001 TFR

In a Federal Register notice published on August 4, 2000, in Vol. 65, No. 151, pp. 48049-48056, the OTS proposed changes in the TFR to be effective with the March 2001 reporting cycle. In August, OTS mailed to all report preparers a copy of the notice, the proposed TFR form, and a detailed listing of all line item changes, additions, and deletions. OTS encourages all thrifts to comment on the proposed changes. Written comments must be received on or before October 3, 2000, and should be addressed to: Manager, Dissemination Branch, Information Management and Services Division, Office of Thrift Supervision, 1700 G Street, N.W., Washington, DC 20552. Comments may be faxed to (202) 906-7755 or (202) 906-6956 (if the comment is over 25 pages) or e-mailed to: public.info@ots.treas.gov.

Once the comment period is over and a final decision is reached, OTS will publish a final notice in the Federal Register and mail a notice to all institutions required to report.

SEPTEMBER 2000 CHANGES TO THE TFR INSTRUCTION MANUAL

Attached are 38 pages of the TFR Instruction Manual that have been updated for September 2000. All updated pages are dated September 2000, and revisions are indicated by a bar in the right margin. The changes are as follows:

Schedule SC (Statement of Condition)

Changes were made on pages 5, 9, 11, 17, 26, 27, 29, 32, 33, 37, and 38 to clarify reporting upon adoption of SFAS No. 133 (see article above).

Changes were made on pages 29 and 37 to expand explanations of the Other Asset and Other Liabilities codes.

Schedule CCR (Capital Requirement)

Page 140, CCR105, Investments In and Advances to “Nonincludable” Subsidiaries – Instructions were added clarifying that if your investment does not round to one thousand or is negative, report a “1” to indicate that you have reported your nonincludable subsidiary.

Pages 142 and 143, CCR102, Accumulated Losses (Gains) on Certain Available-for-sale Securities and Cash Flow Hedges, Net of Taxes – Clarification was added explaining that cash flow hedges reportable as liabilities require no adjustment to assets on CCR137.

Pages 145 and 146, CCR137, Accumulated Losses (Gains) on Certain Available-for-sale Securities and Cash Flow Hedges – The explanation of the adjustment to assets for cash flow hedges upon the adoption of SFAS No. 133 was modified slightly.

Pages 165 and 166, Conversion of Off-balance-sheet Items to On-balance-sheet equivalents, Interest-rate and Exchange-rate Contracts – This section was reformatted to make it easier to understand.

Schedule CMR (Maturity and Rate)

References were corrected on Pages 184, 206, and 237.

DECEMBER 2000 SOFTWARE

We will distribute new electronic filing software in December that will contain expanded type-of-business codes for subsidiaries reported in Schedule CSS. At that time DPSC will provide the software on CD ROM as well as on diskette for those report preparers who request it. If you are interested in receiving the software in CD ROM format, contact DPSC at 1-800-825-3772 extension 296. You do not need to call if you prefer to receive the software on a diskette. The December 2000 software will be released in Windows version only.

Questions & Answers

TFR Questions and Answers are on the OTS web site at www.ots.treas.gov/tfrqanda.html. If you have a question that you would like to appear in this column or to which you would like an e-mail response, please submit it to tfr.instructions@ots.treas.gov.

Q&A No. 109

SUBJECT: DEFERRED TAX CREDITS
LINE(S): SC50
SC690/SC790
Date: September 11, 2000

Question: *An institution receives tax credits for investing in a joint venture partnership with limited liability. The participating parties comprise other financial institutions that are investing in the California Affordable Housing Fund. Tax credits are received as a benefit for participating in this fund. Where should this investment be reported on the TFR? Where should the deferred tax credits be reported?*

Answer: The investment should be reported on SC50, Equity Investments Not Subject to SFAS No. 115. The deferred tax credits should be reported as a deferred tax asset component of the institution's deferred taxes.

Q&A No. 110

SUBJECT: FHLB NON-INTEREST-EARNING DEPOSITS
LINE(S): SC162
CMR461/CMR476
Date: September 11, 2000

Question: *An institution is reporting FHLB non-interest-earning accounts on line SC162 (Interest-earning Deposits in FHLBs) and on CMR461 (Cash, Non-interest-earning Demand Deposits, Overnight Fed Funds, Overnight Repos). These deposits are used to compensate for money needed to pay for wires, ACH drafts, sweep transfer funds, swap pools, regular deposits from branches, lock box fees, direct deposit transfers and in-clearing check processing. If any money remains after clearing items are paid, then the extra funds are transferred to an interest-earning account. The institution is classifying the non-interest-earning account on line SC162, because it is a deposit with the Federal Home Loan Bank.*

Typically, items reported on SC162 should also be reported on line CMR476, with interest-earning deposits. However, because the time deposits are non-interest-earning, the institution is reporting them on line CMR461. Should line SC162 include non-interest-earning FHLB deposits even though the title of the TFR line is "Interest-earning Deposits in FHLBs"?

Answer: It is acceptable to report this account on SC162; although, if the account is material, it should be reviewed by an examiner. The reporting in CMR with cash items on CMR461 is also appropriate.

Q&A No. 111

SUBJECT: REGULATORY LIQUIDITY
LINE(S): SI500
Date: September 11, 2000

Question: *In the regulatory liquidity calculation, which should be used for investments: par, book or market value? Does it make a difference if the investments are available-for-sale or held-to-maturity?*

Answer: Section 566.1(g) defines liquid assets as ". . . the book value of the following unpledged assets . . . ," provided that any "principal and interest on such assets are not in default and a savings association's investments in such asset do not exceed any applicable limitations on such investments by the savings association." Additionally, OTS will not object if the institution uses market value to calculate the cash equivalent. It does not make a difference if the investments are available-for-sale or held-to-maturity since it is the asset type rather than the accounting classification that determines whether the asset is liquid. Therefore, you may use market value or book value regardless of whether they are available-for-sale or held-to-maturity.

Q&A No. 112

SUBJECT: LIQUIDITY, CALLABLE AGENCY NOTES
LINE(S): SI500
Date: September 11, 2000

Question: *In calculating regulatory liquidity, how are callable agency notes included? What maturities are used for any agency notes for classification as a liquid asset?*

Answer: Callable agency notes, depending on the features, could fall into either of two categories:

- 566.1(g)(3) - Obligations issued or fully guaranteed as to principal and interest by certain agencies of the United States (including FHLBs, FannieMae, and FreddieMac). There are no maturity requirements.
- 566.1(g)(9) - Corporate debt obligations and commercial paper denominated in dollars. The corporate debt obligation must be rated in one of the four highest categories by the most recently published rating of such obligations by a nationally recognized investment rating service, be marketable, mature in three years or less, not be convertible to common stock.

Q&A No. 113

SUBJECT: QTL – LOAN POOLS
LINE(S): SI581, 582, 583
Date: September 11, 2000

Question: *Are investments in pools of loans or securities backed by or representing an interest in education loans or small business loans eligible to be included as qualified thrift investments?*

Answer: Yes. Since education loans and small business loans count without limit, investments in pools of loans or securities backed by such loans also count without limit.

Q&A No. 114

SUBJECT: OVERDRAFTS ON CHECKING ACCOUNTS
LINE(S): CMR335
CMR336
Date: September 11, 2000

Question: *An institution has appropriately moved overdrafts on checking accounts (customer deposits) to the consumer loan category on the TFR. Although there is a one-time overdraft fee, no interest is charged. How should these overdrafts be reported on the CMR as far as whether they are adjustable or fixed, and what would be reported for a WARM etc?*

Answer: The overdrafts should be reported as fixed-rate consumer loans with a weighted average remaining maturity (WARM) of 36 months and a weighted average coupon (WAC) of 0.01%.

Q&A No. 115

SUBJECT: EXCHANGE RATE CONTRACTS
LINE(S): CMR OFF-BALANCE SHEET POSITIONS
Date: September 11, 2000

Question: *If an institution is involved in exchange rate contracts, what contract code should be used to report these off-balance sheet items on CMR?*

Answer: Exchange rate contracts are not reported on Schedule CMR because they are not interest rate sensitive.

SELECTED WEB SITE ADDRESSES

OTS Web Site Home Page	http://www.ots.treas.gov/
FDIC Web Site Home Page	http://www.fdic.gov/
TFR forms, the TFR Instruction Manual, Financial Reporting Bulletins, and Proposed Changes	http://www.ots.treas.gov/tfrpage.html
TFR Questions and Answers	http://www.ots.treas.gov/tfrqanda.html
Quarterly aggregate thrift industry data	http://www.ots.treas.gov/quarter.html
Asset & Liability Price Tables Interest Rate Projections for Capital Plans Interest Rate Risk Measures	
FDIC-insured institution directory and industry financial data	http://www.fdic.gov/bank/index.html
OTS institution directory	http://www.ots.treas.gov/inst/default.cfm
Institution directory and publicly available financial data for individual savings associations and commercial banks	http://www2.fdic.gov/call_tfr_rpts/
OTS Applications	http://www.ots.treas.gov/applications.html
Applications database Holding company database Application guidelines	
Annual Report of Trust Assets - publicly available data	http://www2.fdic.gov/artaweb/
Branch Office Survey/Summary of Deposits - publicly available data	http://www2.fdic.gov/sod/
Links to OTS industry statistical data	http://www.ots.treas.gov/ind-inst-data.html
Cost of Funds Thrift Industry National and Regional Net Annual Charge-offs by Asset Type OTS Fact Book (Historical Statistical Information of the Thrift Industry)	
OTS Press Releases	http://www.ots.treas.gov/news.html
OTS Regulatory Bulletins	http://www.ots.treas.gov/bltn_regulatory.html
OTS Thrift Bulletins	http://www.ots.treas.gov/bltn_thrift.html
Links to OTS Rules and other guidance	http://www.ots.treas.gov/laws-regs.html
National Archives and Records Administration Links to: Code of Federal Regulations Federal Register Notices	http://www.access.gpo.gov/su_docs/aces/aces140.html#frbrov

SCHEDULE SC – CONSOLIDATED STATEMENT OF CONDITION

The Consolidated Statement of Condition (Schedule SC) is completed on a consolidated basis. Generally accepted accounting principles (GAAP) should be applied unless specifically stated otherwise in these instructions.

ASSETS

In general, all assets are adjusted for specific valuation allowances (SVAs), charge-offs, unamortized yield adjustments, unearned income, loans-in-process (LIP), unamortized deferred gains and losses on hedging transactions closed prior to adoption of SFAS No. 133, and the accumulated gain or loss (change in fair value) on the asset attributable to the designated risk being hedged on a qualifying fair value hedge under SFAS No. 133.

CASH, DEPOSITS AND INVESTMENT SECURITIES

In accordance with SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities," securities reported on SC130, SC140, SC150, SC180, and SC185 are classified into three categories:

1. **Held-to-maturity securities measured at amortized cost:** this classification is used for debt securities only if there is a positive intent and ability to hold these securities to maturity;
2. **Trading securities:** securities that are bought and held for the purpose of sale in the near term shall be reported at fair value, with unrealized gains or losses reported in earnings on SO485; and
3. **Available-for-sale securities:** securities not classified as trading or as held-to-maturity shall be classified as available-for-sale, and shall be reported at fair value. (The unrealized gains and losses are excluded from earnings and reported, net of taxes, as a separate component of equity capital on SC860, unless the securities are subject to a qualifying fair value hedge pursuant to SFAS No. 133.)

SC10: Total

Report the sum of SC110 through SC190 less SC199. This line will be automatically computed by the electronic filing software.

SC110: Cash and Non-interest-earning Deposits

Report the total amount of cash, cash items, and non-interest-earning deposits.

Include:

1. Non-interest-earning deposits in a bank or savings association under the control of a supervisory authority;
2. Cash items in the process of collection, such as redeemed U.S. Savings Bonds; and
3. Checks or drafts in process of collection that are drawn on another depository institution, Federal Reserve Bank, FHLBank, or the U.S. Government.

Do not include:

1. Accounts with credit balances that do not have the right of offset; report on SC760 (Other Borrowings); and
2. Checks drawn against zero-balance accounts or accounts not routinely maintained with sufficient balances to cover checks drawn in the normal course of business; report on SC710 (Deposits).

SC130: U.S. Government and Agency Securities

Report nonmortgage debt instruments issued by the U.S. government and its agencies.

Include:

1. Interest-only and principal-only strips of U.S. government and agency securities;
2. U.S. Treasury bills, certificates, notes, and bonds;
3. Nonmortgage debt issued by FHLBanks, FannieMae, FreddieMac, and GinnieMae;
4. Federal agency debt securities, such as: SBA nonmortgage pools, TVA, Federal Farm Credit Bank, Federal Land Bank, Federal Intermediate Credit Bank, SallieMae, and the Export-Import Bank;
5. FICO bonds; and
6. U.S. Government and agency securities pledged as collateral on margin accounts for futures and options.

Do not include:

1. Investments in mutual funds that invest in U.S. government and agency securities; report on SC140 (Equity Securities);
2. Stock of FHLBanks; report on SC690 (Other Assets);
3. Equity securities issued by agencies of the U.S. government (*e.g.*, FreddieMac preferred stock);
4. Securities issued by state and local governments; report on SC180;
5. Securities purchased under a repurchase or dollar-repurchase agreement; report on SC170 (Federal Funds Sold and Securities Purchased Under Agreements to Resell); and
6. Mortgage-backed instruments and derivatives issued or guaranteed by FannieMae, FreddieMac, or GinnieMae; report on SC150.

SC140: Equity Securities Subject to SFAS No. 115

Report all investments in equity securities that have readily determinable fair values and that are accounted for pursuant to SFAS No. 115.

Include:

1. Common and preferred stock that has a readily determinable market value, including Freddie Mac and Fannie Mae stock;

MORTGAGE POOL SECURITIES

In order to be categorized as a mortgage pool security **all** of the following criteria must be met:

1. The underlying collateral qualifies as a mortgage;
2. The security provides each investor with a proportional ownership interest in the underlying collateral; and
3. Payments received by the issuer are passed through to the investor proportionate to ownership interest and with the same timing with which they are received.

A security that meets item 1 but not 2 and/or 3 is reported on SC150 (Mortgage Derivative Securities), unless it is a mortgage-backed bond in which case it is reported on SC185 (Other Investment Securities). A security collateralized by loans that meets items 2 and 3 but does not meet item 1 is reported on SC185 (Other Investment Securities). A debt security that does not meet any of the above or meets only item 2 or item 3, but not both, is reported on SC185 (Other Investment Securities), except for those government securities reported on SC130 and SC180.

If the subordinate piece of a senior/subordinated security (1) exists solely for the purpose of credit enhancements and not for redirecting cash flows, (2) is no larger than necessary to provide the credit enhancement, and (3) meets the criteria of mortgage pool securities, above, then the senior piece is essentially a pass-through security and should be reported with mortgage pool securities.

In accordance with SFAS No. 115, “Accounting for Certain Investments in Debt and Equity Securities,” mortgage pool securities reported on SC210 and SC215 fall into three categories:

1. **Held-to-maturity securities measured at amortized cost:** this classification is used for debt securities only if there is a positive intent and ability to hold these securities to maturity;
2. **Trading securities:** securities that are bought and held for the purpose of sale in the near term shall be reported at fair value, with unrealized gains or losses reported in earnings on SO485 [Note: Mortgage-backed securities that are held for sale in conjunction with mortgage banking activities are included as trading securities.] and
3. **Available-for-sale securities:** securities not classified as trading or as held-to-maturity shall be classified as available-for-sale, and shall be reported at fair value, with the unrealized gains and losses excluded from earnings and reported, net of taxes, as a separate component of equity capital on SC860.

The balances in this section are adjusted for:

1. Discounts and premiums on the purchase of the securities;
2. Specific valuation allowances;
3. Unamortized deferred gains and losses on hedging transactions closed prior to adoption of SFAS No. 133; and
4. The accumulated gain or loss (the change in fair value) on the security attributable to the designated risk being hedged on a qualifying fair value hedge under SFAS No. 133.

The balances in this section are not adjusted for: General valuation allowances; report on SC227.

Do not include:

1. Securities pledged on a margin account for futures and options contracts; report on SC690 (Other Assets);
2. Mortgage pool securities purchased subject to repurchase agreements (*i.e.*, the reporting savings association holds these securities as collateral received for loans made to others); report on SC170 (Federal Funds Sold and Securities Purchased Under Agreements to Resell); and
3. CMOs, POs, or IOs; report on SC150 (Mortgage Derivative Securities).

SC20: Total

Report the sum of SC210, SC215, and SC220 less SC227. This line will be automatically computed by the electronic filing software.

SC210: Insured or Guaranteed by an Agency or Instrument of the United States

Report all mortgage pool securities insured or guaranteed by an agency or instrument of the United States.

Include:

1. FreddieMac Participation Certificates; and
2. GinnieMae and FannieMae pools.

Do not include:

1. FannieMae and FreddieMac Bonds; report on SC130 (U.S. Government and Agency Securities;
2. Mortgage derivatives, including CMOs collateralized by FannieMae, GinnieMae, and FreddieMac mortgage-backed securities; report on SC150 (Mortgage Derivative Securities); and
3. Mortgage pool securities not insured or guaranteed by an agency or instrument of the United States, even if they are issued by a government-sponsored enterprise.

SC215: Other Mortgage Pool Securities

Report mortgage pool securities that are not insured or guaranteed by an agency or instrument of the United States.

SC220: Accrued Interest Receivable

Report accrued interest receivable on mortgage pool securities reported on SC210 and SC215 if collection was probable at the time of accrual. Securities on which collection of interest is not probable must be placed in a nonaccrual status.

SC227: General Valuation Allowances

Report all general valuation allowances established on mortgage pool securities reported on SC210 through SC220. All valuation allowances must be included in the reconciliation of valuation allowances in Schedule VA.

MORTGAGE LOANS

Report mortgage loans, contracts, and leases that are the functional equivalent of loans (see OTS Regulation 560.41) secured by real estate whether purchased or originated. Report as mortgage loans only loans that are fully secured by real estate and loans where the value of the security property is supported by an appraisal or evaluation pursuant to the requirements of OTS regulation 564 (Appraisals).

Mortgage loans reported on SC230 through SC265 fall into four categories:

1. **Those held for investment:** report these at cost;
2. **Those originated for sale:** report these at the lower of cost or market value at the reporting date;
3. **Those previously held for investment and now held for sale:** report these at the lower of cost or market value at the reporting date; and
4. **Those held in a trading portfolio:** report these at the market value at each reporting date by directly adjusting the asset balance; adjustments to mark a trading portfolio to market are not included in the valuation allowances reported on SC283.

Loans are reported at outstanding balance adjusted for:

1. Specific valuation allowances;
2. Deferred loan fees net of direct costs;
3. Discounts and premiums on the purchase of mortgage loans and contracts;
4. Adjustments made to apply lower-of-cost-or-market accounting treatment to mortgages held for sale but not in a trading account;
5. Any undisbursed balances of loans closed (loans-in-process); report these amounts on CC105-115;
6. The undisbursed portion of mortgage lines of credit; report these amounts as commitments on CC410-420;
7. Unearned interest;
8. Deposits accumulated for the payment of loans (hypothecated deposits);
9. Unamortized deferred gains and losses on hedging transactions closed prior to adoption of SFAS No. 133; and
10. The accumulated gain or loss (the change in fair value) on mortgage loans attributable to the designated risk being hedged on a qualifying fair value hedge under SFAS No. 133.

The loan balances in this section are not adjusted for: General valuation allowances (allowance for loan and lease losses); these are reported on SC283.

Loans secured by property including farm land with more than one use (*e.g.*, residential and commercial should be reported in their entirety in the data field that describes the property type representing the largest percentage of the total value of all property securing the loan.

Capitalized loans should include accrued interest receivable and advances for the payment of taxes and insurance in the mortgage loan balance. Accrued interest and advances for taxes and insurance on all other loans are reported on SC272 and SC275, respectively.

Include:

1. FHA/VA and conventional first mortgage loans;
2. Junior or second mortgage loans (both open-end and closed-end);
3. Mortgage loans to unconsolidated subordinate organizations;
4. Participating interests in loans originated by others;

5. Loans to commercial entities collateralized by mortgages of third party borrowers (*e.g.*, warehouse loans), provided the underlying loans are secured by real estate and meet the requirements of OTS Regulations 560.41;
6. Disbursed portion of open-end home equity loans where the savings association secures the loan by a lien on real estate that meets the requirements of OTS Regulations 564 and 560.100-101;
7. The unpaid balance of the gross loan in a wrap-around mortgage where the reporting savings association wraps a loan held by a third party. The loan payable to the third party is reported as a liability on SC760 (Other Borrowings); and
8. Loans on units in cooperative buildings.

Do not include:

1. Mortgage pool securities; report on SC210 and SC215;
2. The portion of participations sold; these are no longer reported on the savings association's statement of condition;
3. Mortgage-backed bonds; report on SC185;
4. Real estate loans where the characteristics dictate treatment as an investment in real estate in accordance with GAAP; report on SC45 (Real Estate Held for Investment);
5. Foreclosed assets; report on SC405 through SC428 (Repossessed Real Estate);
6. Loans secured by assets of which the savings association has obtained physical possession, but for which foreclosure has not yet taken place (*i.e.*, in-substance foreclosures); report on SC405 through SC428 (Repossessed Real Estate);
7. Loans purchased subject to agreements to resell (*i.e.*, the reporting savings association holds these loans as collateral received for loans made to others); report on SC170 (Federal Funds Sold and Securities Purchased Under Agreements to Resell);
8. Loan commitments that have not yet been taken down, even if fees have been received;
9. Loans on time-share arrangements; report on SC330 (Other Closed-end Consumer Loans); and
10. Home improvement loans; report on SC316 (Consumer Loans: Home Improvement Loans).

SC23: Total

Report the sum of SC230 through SC275 less SC283. This line will be automatically computed by the electronic filing software.

Construction Loans on:

SC230: 1-4 Dwelling Units

Report the outstanding balance of all construction loans secured by 1-4 dwelling units. Balances are to be adjusted as described above in the general instructions to mortgage loans.

SC283: Allowance for Loan and Lease Losses

Report all allowances for loan and lease losses (ALLL) established to recognize credit losses on mortgage loans reported on SC230 through SC275. All ALLL must be included in the reconciliation of valuation allowances in Schedule VA

Do not include:

1. Mark-to-market adjustments to mortgage loans held in a trading portfolio; these directly adjust the asset balance; and
2. Specific valuation allowances; these directly adjust the asset balance.

NONMORTGAGE LOANS

The balances in this section are adjusted for:

1. Specific valuation allowances;
2. Deferred loan fees net of direct costs;
3. Discounts and premiums on the purchase of mortgage loans and contracts;
4. Adjustments made to apply lower-of-cost-or-market accounting treatment to mortgages held for sale but not in a trading account;
5. Any undisbursed balances of closed-end loans (loans-in-process); report these amounts on CC125;
6. The undisbursed portion of lines of credit; report these amounts on CC410-420;
7. Unearned interest; (*i.e.*, add-on interest of loans issued at a discount);
8. Deposits accumulated for the payment of loans (hypothecated deposits);
9. Unamortized deferred gains and losses on hedging transactions closed prior to adoption of SFAS No. 133; and
10. The accumulated gain or loss (the change in fair value) on nonmortgage loans attributable to the designated risk being hedged on a qualifying fair value hedge under SFAS No. 133.

The balances in this section are not adjusted for: General valuation allowances (allowance for loan and lease losses); these are reported on SC357.

Include:

1. Unsecured loans;
2. Loans secured with tangible property other than real estate, except as noted below.

Do not include:

1. Investments in securities collateralized by nonmortgage loans; report these securities on SC185 (Other Investment Securities) (Note: Although in Schedule SC, securities backed by nonmortgage loans are reported in investments on SC185, in Schedule CMR pass-through securities backed by nonmortgage loans are reported with nonmortgage loans); and
2. Loan commitments that have not yet been taken down, even if fees have been received.

SC30: Total

Report the sum of SC300 through SC348 less SC357. This line will be automatically computed by the electronic filing software.

Commercial Loans:

SC32: Total

Report the sum of SC300 through SC306. This line will be automatically computed by the electronic filing software.

SC300: Secured, Other than Mortgage

Report all loans to corporations, partnerships, and individuals for business purposes that are secured by tangible property other than real estate, except as noted below.

Include:

1. Loans secured by commercial properties that do not qualify as mortgage loans;
2. Secured loans for farming operations;
3. Floor-planning (inventory/wholesale) loans to dealers for automobiles or mobile homes;
4. Retail auto loans if the autos are for commercial use;
5. Nonmortgage loans insured or guaranteed by an agency of the federal government, state or municipal government authority (including FmHA, AID, and the insured portion of unsecuritized SBA loans);
6. Secured nonmortgage loans to unconsolidated subordinate organizations;
7. Outstanding balances of secured commercial lines of credit; and
8. Loans secured by residential property to finance small businesses that are not reported as mortgages.

Do not include:

1. Commercial financing leases; report on SC306; and
2. The uninsured portion of SBA loans; report on SC303.

SC303: Unsecured

Report all unsecured loans to corporations, partnerships, and individuals for business purposes.

Include:

1. Unsecured construction loans to builders;
2. Unsecured loans for the improvement of multifamily and other commercial property;
3. The outstanding balance of unsecured commercial lines of credit and overdrafts on commercial demand deposits, and business credit cards;
4. Unsecured loans for farming operations; and
5. All other unsecured loans made for commercial purposes.

Do not include:

1. Unsecured loans to unconsolidated subordinate organizations; report on SC50 (Investment in Unconsolidated Subordinate Organizations); and
2. Corporate debt securities (even if included in calculating OTS commercial loan limitations); report on SC185.

The carrying value of the savings association's investment in common stock is initially recorded at cost. The investment is adjusted to record the savings association's proportionate share of the entity's earnings or losses after the elimination of intercompany profits and is decreased by the amount of dividends from the entity. If it is appropriate to reduce an investment below zero, it should not be offset against other equity investments, but should be reclassified to SC796 (Other Liabilities and Deferred Income) and coded "08".

Cost Method

The cost method is used when a savings association owns less than 20% of the voting shares of the investment and cannot exert significant influence over its operations.

The carrying value of the savings association's investment is recorded at cost and is not adjusted for net income or loss or dividends. Cash dividends received are recorded as income from the investment and are reported on SO491 (Other Noninterest Income).

SC529: Memo: General Valuation Allowances

This item is a memo item that has already been deducted from SC50 and therefore is not included in the summation of assets for SC60 (Total Assets). Report all general valuation allowances established on amounts reported on SC50 to recognize losses pertaining to the reporting savings association's investment in and unsecured loans to its unconsolidated subordinate organizations. All valuation allowances must be included in the reconciliation of valuation allowances in Schedule VA.

Do not include:

1. Specific valuation allowances;
2. Valuation allowances established at the subordinate organization level; and
3. Permanent declines in value; these must be written off directly against the equity investment.

SC55: OFFICE PREMISES AND EQUIPMENT

Report the book value of all premises and equipment (whether purchased directly or acquired by means of a capital lease) used in the reporting savings association's business operations, net of accumulated depreciation. In a sale/leaseback where the resulting lease is a capital lease, report the capital lease net of the unamortized deferred gain or loss.

Report depreciation expense for the quarter on SO530 (Office Occupancy and Equipment Expense).

Include:

1. All land, buildings, and parking lots occupied by the savings association, including those only partially occupied by the reporting savings association;
2. Land or improved real estate intended for future use in the business operations of the savings association;
3. Real estate formerly occupied by the reporting savings association, if the real estate is held-for-sale;
4. Capital leases for the savings association's office premises and equipment;
5. Carrying costs capitalized during the construction of the savings association's premises;
6. The unamortized balance of all improvements to leased quarters and any capital improvements made to land leased for the use of the savings association;
7. Office furniture, fixtures, equipment and vehicles owned by the reporting savings association;

8. Costs of computer software developed or obtained for internal use **only** where such costs have been capitalized and amortized in accordance with the provisions of AICPA Statement of Position 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use."

Do not include:

1. Repossessed assets, unless used by the reporting savings association on other than a temporary basis; report on SC405 through SC430;
2. Real estate held for investment; report on SC45;
3. Real estate originally acquired for future use of the savings association but no longer intended for that purpose; report as REO on SC405 through SC428;
4. Real estate formerly occupied by the reporting savings association and not actively held-for-sale; report on SC45;
5. Real estate acquired as part of a troubled debt restructuring; report on SC405 through SC428 (Repossessed Real Estate); and
6. Costs specifically associated with modifying internal-use computer software for the year 2000, whether such costs are external or internal; such costs should be charged to expense as incurred, pursuant to EITF Issue No. 96-14, "Accounting for the Costs Associated with Modifying Computer Software for the Year 2000".

OTHER ASSETS:

SC58: TOTAL

Report the sum of SC642 through SC690 less SC699. This line will be automatically computed by the electronic filing software.

Servicing Assets on:

Report the carrying amount of servicing assets accounted for under SFAS No. 125. Adjust the carrying amount for (1) unamortized deferred gains and losses on hedging transactions closed prior to adoption of SFAS No. 133; (2) the accumulated gain or loss (the change in fair value) on the servicing assets attributable to the designated risk being hedged on a qualifying fair value hedge under SFAS No. 133, and (3) any valuation allowances.

Servicing assets are subject to certain regulatory capital limitations; refer to the instructions for data field CCR133.

Do not include amounts for any rights to future interest income from the serviced loans that exceed contractually specified servicing fees (defined below). Such rights are not servicing assets. Report such amounts on SC655 (Interest-only Strip Receivables and Certain Other Instruments).

Contractually specified servicing fees are all amounts that, per the contract, are due to the servicer in exchange for the servicing and would no longer be received by a servicer if the beneficial owners of the serviced assets were to exercise their actual or potential authority under the contract to shift the servicing to another servicer.

SC642: Mortgage Loans

Report servicing assets on mortgage loans only.

SC644: Nonmortgage Loans

Report servicing assets of loans other than mortgages; *e.g.,* automobile and credit card loans.

SC655: Interest-only Strip Receivables and Certain Other Instruments

Report the amortized cost of certain nonsecurity financial instruments (CNFIs) accounted for under SFAS No. 125. CNFIs include interest-only strip receivables, loans receivable, other receivables, or retained interests in securitizations that can be contractually prepaid or otherwise settled in such a way that the holder would not recover substantially all of its recorded investment. Adjust the amortized cost for: (1) unamortized deferred gains and losses on hedging transactions closed prior to adoption of SFAS No. 133; (2) the accumulated gain or loss (the change in fair value) on assets attributable to the designated risk being hedged on a qualifying fair value hedge under SFAS No. 133; and (3) any valuation allowances.

Do not include interest-only strips **in security form**; report on SC150 (Mortgage Derivative Securities) or SC185 (Other Investment Securities), as appropriate.

In general, CNFIs are initially recorded at cost (which often approximates fair value). Subsequent to initial recording, CNFIs are measured at fair value, like investments in debt securities classified as available-for-sale or trading under SFAS No. 115.

SC660: Goodwill and Other Intangible Assets

Report the unamortized balance of goodwill and other intangibles.

Goodwill arises when:

1. The fair value of liabilities assumed exceeds the fair value of tangible and identified intangible assets acquired; and
2. The purchase price exceeds the fair value of assets received (including identifiable intangible assets) less the fair value of liabilities assumed.

Goodwill is recorded in:

1. Mergers using the purchase method of accounting;
2. Acquisitions of the reporting savings association using push-down accounting; and
3. Purchase of the assets and liabilities of a branch office.

Goodwill is not recorded in receiverships and similar reorganizations. In this case the excess of liabilities over assets is recorded as deficit capital.

The recording, determination of the life, and amortization of goodwill must be in accordance with GAAP as principally prescribed by SFAS No. 72.

Include:

1. Goodwill;
2. Identified core deposit intangibles;
3. Organization costs until adoption of AICPA SOP 98-5; and
4. Other intangible assets.

Do not include:

1. Servicing assets reported on SC642 and SC644 (Servicing Assets); and
2. Interest-only strip receivables and certain other instruments reported on SC655.

SC690: Other Assets

Report the total of assets not reported elsewhere on Schedule SC. A list of the types of assets to be included can be found in the memo items detailing other assets below.

Do not include:

1. Premiums on deposits and borrowed money purchased by the reporting savings association; report premiums on deposits on SC715 and premiums on borrowed money with the related borrowing;
2. Deferred credits (deferred income) that do not have a related asset; report on SC796 (Other Liabilities and Deferred Income);
3. Accounts with a material credit balance that are not contra-assets; report on SC796 (Other Liabilities and Deferred Income); and
4. Identified core deposit intangibles; report on SC660 (Goodwill and Other Intangible Assets).

Memo: Detail of Other Assets

Report the three largest items comprising the amount reported in SC690. Codes best describing these items should be selected from the list below and reported on SC691, 693 and 697, and the corresponding amounts should be reported on SC692, 694, and 698. This detail must be completed if an amount is reported on SC690.

SC691, 693 and 697: Codes

01 Federal Home Loan Bank Stock

02 Accrued Federal Home Loan Bank dividends

03 Federal, state, or other taxes receivable (whether as the result of prepayment or net operating loss carrybacks);

04 Net deferred tax assets in accordance with SFAS No.109;

05 Insured portion of real estate acquired by foreclosure or deed in lieu of foreclosure on VA or FHA-HUD loans while the title is held pending conveyance to that agency

06 Prepaid deposit insurance premiums

07 Prepaid expenses

08 Deposits for utilities and other services

09 Advances for loans serviced for others (including advances for taxes and insurance and advances to investors)

10 Property leased to others under an operating lease as provided in OTS Regulation 560.41, net of accumulated depreciation

11 Deferred issuance costs related to subordinated debentures, mandatory convertible securities, and redeemable preferred stock

12 Amounts receivable under interest rate swap agreements

13 Noninterest-bearing accounts receivable from a holding company or affiliate

14 Other miscellaneous noninterest-bearing short-term accounts receivable

15 Margin accounts

16 Unamortized options fees

17 Deferred net losses (gains) on asset hedges (prior to adoption of SFAS No. 133)

This code should be used **only** if you have not yet adopted SFAS No. 133.

18 Cash surrender value of life insurance

19 Receivable from a broker between trade and settlement dates on the sale of securities

Include all receivables for unsettled transactions with a broker.

20 Derivative instruments in a gain position, at fair value

Report fair value of all derivative instruments reportable as assets under SFAS No. 133.

21 Bank-owned life insurance (BOLI)

22 Unapplied loan disbursements

Include only those loan disbursements that cannot be identified by category.

23 Other residual interests in financial assets sold not appropriately reported elsewhere

99 Other (**Use this code only for those items not identified above**.)

SC692, 694, and 698: Amounts

Report the dollar amounts corresponding to the codes reported on SC691, 693, and 697.

SC699: GENERAL VALUATION ALLOWANCES

Report all general valuation allowances established to recognize credit losses on receivables included in Other Assets.

All valuation allowances must be included in the reconciliation of valuation allowances in Schedule VA.

SC60: Total Assets

Report the sum of SC10, SC20, SC23, SC30, SC40, SC45, SC50, SC55, and SC 58. This amount will be automatically computed by the electronic filing software and must equal SC90.

LIABILITIES

DEPOSITS

SC710:

Report all deposits at their face value except zero coupon deposits, which are reported at face value net of the unamortized discount.

Include:

1. All deposits whether interest-bearing or not.
2. Deposits exceeding SAIF insurance limits, including those collateralized by the savings association's assets, such as deposits of public funds.
3. Unposted credits, such as:
   a. Deposit transactions that are included in a general ledger account and have not yet been posted to a deposit account;
   b. Deposits received in one branch for deposit into another branch (typically another branch in another state or outside of continental USA).

   Unposted credits should be reported net of unposted debits, which are defined as cash items in the reporting savings association's possession that are drawn on the reporting savings association and immediately chargeable, but not yet charged, against the savings association's deposits at the close of business on the reporting date.

   Exclude:
   (i) cash items drawn on other financial institutions;
   (ii) overdrafts and nonsufficient fund (NSF) items;
   (iii) cash items returned unpaid to the last endorser for any reason; and
   (iv) drafts and warrants that are "payable at" or "payable through" the reporting savings association for which there is no written authorization from the depositor and no state statute allowing the savings association at its discretion to charge the items against the deposit accounts of the drawees.

   Report the above excluded unposted debit amounts in assets on SC110. Note: If the total of #3 is negative, it can be deducted from SC710.

4. Outstanding cashier's checks, money orders, or other official checks drawn on an internal account issued in the usual course of business for any purpose, including, without being limited to, those issued in payment for services, dividends, or purchases of the reporting savings association, or payable to a third party named by a customer making the withdrawal.
5. Accounts pledged by the directors and/or organizers of the savings association as protection against operating deficits and other nonwithdrawable accounts, whether or not they are used in determining compliance with minimum capital requirements.
6. U.S. Treasury tax and loan accounts that represent funds received as of the close of business of the reporting date. Do not include funds credited prior to the reporting date that are automatically converted into open-ended interest-bearing notes; such balances are reported on SC796 (Other Liabilities and Deferred Income).
7. Unapplied loan balances (*i.e.*, receipts from borrowers that have not yet been classified as principal, interest, etc.), unless the reporting savings association credits the applicable customer accounts "as of" the date the funds are initially received.
8. Credit balances in card credit accounts (*i.e.*, credit card customer overpayments).

9. Funds received or held in connection with drafts or checks drawn by the reporting savings association on another depository institution, a Federal Home Loan Bank, or a Federal Reserve Bank either on a zero-balance account or on an account that is not routinely maintained with sufficient balances to cover checks drawn in the normal course of business (including accounts where funds are remitted by the reporting savings association only when it has been advised that the checks or drafts have been presented). For example, funds received from a customer for a cashier's check which is drawn on a zero-balance account in another financial institution.

10. Dealer reserve accounts, when considered a liability under GAAP. Dealer reserve accounts are refundable amounts held as collateral in the purchase of installment notes from a dealer. For example, a savings association purchases $100,000 in installment notes from a dealer for the full face amount for which it pays $90,000 to the dealer and holds the remaining $10,000 as collateral. The $10,000 held as collateral is a dealer reserve account, which is reported as a deposit. If you hold dealer reserves that under GAAP are reported as contra-assets, then assets should be reported net of these dealer reserves in Schedule SC, and the dealer reserves must also be reported on SI247 or SI248, as appropriate.

11. Outstanding travelers' letters of credit and other letters of credit issued by the reporting savings association for cash or its equivalent (*i.e.*, prepaid letters of credit), less outstanding drafts accepted against the letters of credit.

12. Funds (except hypothecated deposits) held as security for an obligation due to the bank or others, and funds deposited by a debtor to meet maturing obligations (*e.g.*, amounts pledged against sinking fund mortgages and as collateral for loans).

The gross amount of debit items ("rejects") that cannot be posted to the individual deposit accounts without creating overdrafts or for some other reason (*e.g.*, stop payment, missing endorsement, post or stale date, or account closed), but which have been charged to the control accounts of the various deposit categories on the general ledger, should be added back to the appropriate deposit control totals and reported on SC690 (Other Assets, Code 99).

Note that assets and liabilities are reported in Schedule SC in accordance with GAAP. Certain items defined in the FDI act as includable in the deposit premium assessment base, may under GAAP, be considered contra-assets rather than liabilities. Assets in Schedule SC should be reported net of such items, but these items must also be reported on SI239 or SI243 through SI248, as appropriate, so that they will be included in the deposit premium assessment base.

Reciprocal balances with commercial banks and other savings associations should be reported on a net basis where the right of set-off exists. Reciprocal demand balances arise when two depository institutions maintain deposit accounts with each other.

Do not include:

1. Escrow accounts; report on SC783 (Escrows).

2. Custodial accounts established pursuant to loan servicing agreements; report on SC783 (Escrows).

3. Deposit accounts set up by the savings association in its own name. Eliminate the cash account from assets and the same amount from deposits. See item 4 under "include" above concerning outstanding checks.

4. Outstanding checks drawn on, or payable at or through, a non-zero-balance account at a Federal Reserve Bank or a Federal Home Loan Bank. These amounts should be deducted from cash-in-bank (typically, SC110 or SC162, as appropriate), and also reported on SI239 for inclusion in the deposit base for FDIC insurance assessment purposes. See item 9 under "Include" above concerning outstanding checks drawn on zero-balance accounts.

5. Outstanding checks written against accounts in other depository institutions, as defined by the Federal Deposit Insurance Act; deduct these from the related deposit reported on SC110 or SC166.

6. Discounts and premiums established as a result of marking assets and liabilities to fair value as a result of an acquisition, merger, or change in control; report on SC715 (Unamortized Yield Adjustments on Deposits).

7. Deductions for commissions and other capitalized items; report on SC715 (Unamortized Yield Adjustments on Deposits);

8. Deductions for customers' overdrafts in NOW and demand accounts unless the right of set-off under a valid cash management arrangement exists for accounts of the same legal entity; report as loans on SC303 (Commercial Loans: Unsecured) or SC345 (Consumer Loans: Open-End: Unsecured);
9. U.S. Treasury tax and loan account balances credited prior to the reporting date that are automatically converted into open-ended interest-bearing notes; such balances are reported in liabilities on SC796 (Other Liabilities and Deferred Income);
10. Hypothecated deposits (deposits accumulated for the payment of loans); deduct these from the related loan balance;
11. Unamortized deferred gains and losses on hedging transactions closed prior to adoption of SFAS No. 133; report on SC715 (Unamortized Yield Adjustments on Deposits); and
12. The accumulated gain or loss (the change in fair value) on deposits attributable to the designated risk being hedged on a qualifying fair value hedge under SFAS No. 133; report on SC715 (Unamortized Yield Adjustments on Deposits).

ESCROWS

SC783:

Report all escrow funds held by the reporting savings association and its consolidated subsidiaries on behalf of others.

Include:

1. Tax and insurance escrows for mortgage loans.
2. Escrow accounts established pursuant to loan servicing agreements; including both tax and insurance and principal and interest escrows.
3. Custodial accounts established pursuant to loan servicing agreements.
4. Credit balances of uninvested trust funds held by the reporting savings association. Do not net balances of different accounts. Report only accounts with credit balances; accounts with debit balances should be reported as loans. However, netting is permitted for overdrafts in principal or income cash in individual trust accounts maintained in the same right and capacity.
5. Amounts held in conjunction with the sale of travelers' checks, money orders, and similar instruments.
6. Amounts held and not yet remitted in conjunction with the sale or issuance of government bonds, mutual funds or other securities.
7. Refundable loan commitment fees received prior to loan closing.
8. Funds received from stock subscribers for unissued stock that are refundable.
9. Amounts withheld from employee compensation for payment to a third party (*e.g.*, withholding taxes, health and life insurance premiums, pension funds, etc.).
10. Interest withheld from deposits for remittance to taxing authorities.
11. Interest accrued on escrows included above.

Do not include:

1. Advances for borrowers' taxes and insurance (i.e., T&I escrow accounts with debit balances). If the related loan is owned by the reporting savings association or its consolidated subsidiaries, report on SC275 (Advances for Taxes and Insurance). If the related loan is serviced for others, report on SC690 (Other Assets, Code 09).
2. Advances to investors for loans serviced for others prior to receipt from the borrower; report as assets on SC690 (Other Assets, Code 09).
3. Custodial accounts held by a depositor for another (*e.g.*, custodial account held for a minor where the parent or some other depositor is the custodian); report as deposits on SC710.
4. IRA and Keogh accounts; report as deposits on SC710.

5. Escrows where the funds are deposited in other depository institutions; report as liabilities on SC796 (Other Liabilities, Code 99).
6. Unamortized deferred gains and losses on hedging transactions closed prior to adoption of SFAS No. 133; report on SC715 (Unamortized Yield Adjustments on Deposits);
7. The accumulated gain or loss (the change in fair value) on escrows attributable to the designated risk being hedged on a qualifying fair value hedge under SFAS No. 133; report on SC715 (Unamortized Yield Adjustments on Deposits).

SC715: Unamortized Yield Adjustments on Deposits

Report the unamortized balance of discounts and premiums on deposits. Report the face amounts of the related deposits on SC710 (Deposits). These yield adjustments are amortized to interest expense on SO215 (Deposits).

In marking assets and liabilities to fair value, discounts and premiums must be recorded and amortized in accordance with GAAP as principally prescribed in APB No. 16, “Business Combinations” and SFAS No. 72, “Accounting for Certain Acquisitions of Banking or Thrift Institutions.”

Include:

1. Discounts and premiums from marking deposits to fair value as a result of an acquisition, merger, or change in control;
2. Unamortized deferred gains and losses on hedging transactions closed prior to adoption of SFAS No. 133; and
3. The accumulated gain or loss (the change in fair value) on deposits attributable to the designated risk being hedged on a qualifying fair value hedge under SFAS No. 133.

This data field may be negative (*i.e.*, a debit).

Do not include:

1. Yield adjustments related to advances and borrowings; these directly reduce the related borrowing;
2. Core deposit intangibles resulting from an acquisition, merger, or change in control; report on SC660 (Goodwill and Other Intangible Assets); and
3. Deferred gains and losses on deposit hedges prior to adoption of SFAS No. 133; report on SC796 (Other Liabilities and Deferred Income, Code 03).

BORROWINGS

Adjust borrowings for deferred discounts, premiums, and issuance costs in accordance with FASB Statement of Financial Accounting Concepts No. 6, Paragraphs 236 and 237, unamortized deferred gains and losses on hedging transactions closed prior to adoption of SFAS No. 133, and the accumulated gain or loss (the change in fair value) on borrowings attributable to the designated risk being hedged on a qualifying fair value hedge under SFAS No. 133. The deferred discounts, premiums, and issuance costs are amortized to interest expense.

SC72: Total

Report the sum of SC720 through SC760. This line will be automatically computed by the electronic filing software.

SC720: Advances from FHLBank

Report all FHLBank borrowings.

Include:

1. All FHLBank advances.
2. Reverse repurchase agreements with the FHLBank.
3. Deferred commitment fees paid on FHLBank advances; these reduce the outstanding balance.

Do not include:

1. Accrued interest; report on SC766 (Accrued Interest Payable - Other).
2. FHLBank advances that have been defeased in substance in accordance with GAAP, as principally prescribed in SFAS No. 76, "Extinguishment of Debt," and FASB Technical Bulletin 84-4, "In-substance Defeasance of Debt." These advances and the related assets are not reported in the reporting savings association's Statement of Condition.

SC730: Federal Funds Purchased and Securities Sold Under Agreements to Repurchase

Include:

1. Funds received from securities sold under agreements to repurchase that do not meet the criteria for a sale under FASB Statement No. 125, including retail repurchase, dollar-reverse-repurchase, and "dollar-roll" agreements.
2. Federal Funds Purchased.

Funds received from transactions accounted for as a sale (*i.e.*, yield maintenance, dollar-reverse-repurchase agreements and certain "dollar-roll" transactions) are included in the gain or loss on the sale. Note that the repurchase transaction and subsequent investment of these "borrowed" funds are independent transactions and, therefore, any income generated by this subsequent investment should not offset the interest expense incurred in the reverse repurchase transaction. Report interest income on SO110 (Interest Income: Deposits and Investment Securities) and interest expense on SO260 (Interest Expense: Other Borrowed Money).

Do not include:

Agreements entered into with the FHLBank; report these as FHLBank advances on SC720.

SC735: Subordinated Debentures (Including Mandatory Convertible Securities)

Report subordinated debentures and mandatory convertible securities issued by the reporting savings association or its consolidated subsidiaries net of premiums and discounts. Report issuance costs related to subordinated debentures and mandatory convertible securities on SC690 (Other Assets).

Accounts payable with material debit balances must be reclassified to accounts receivable; report on SC690 (Other Assets) as Code 14.

SC790: Deferred Income Taxes

Report deferred federal, state, and local income tax liabilities. Report debit balances as deferred tax assets on SC690 (Other Assets) as Code 04.

SC796: Other Liabilities and Deferred Income

Report the total of liabilities not reported elsewhere on Schedule SC. A list of the types of liabilities to be included can be found in the memo items detailing other liabilities below.

Memo: Detail of Other Liabilities

Report the three largest items comprising the amount reported in SC796. Codes best describing these items should be selected from the list below and reported on SC791, 794 and 797, and the corresponding amounts should be reported on SC792, 795, and 798. This detail must be completed if an amount is report on SC796.

SC791, 794 and 797: Codes

01 Dividends payable on stock

02 Financial options fees received

03 Deferred net gains (losses) on liability hedges (prior to adoption of SFAS No. 133)

This code should only be used if you have not yet adopted SFAS No. 133.

04 Nonrefundable loan fees received prior to loan closing

05 Deferred gains from sale/leaseback where the resulting lease is an operating lease

06 Balances in U.S. Treasury tax and loan accounts administered under the note option that provide for the conversion of the previous day's balance to an interest-bearing demand note

07 Deferred gains from the sale of real estate recorded under the percentage-of-completion or deposit methods pursuant to SFAS No. 66, "Accounting for Sales of Real Estate"

08 Negative investments in entities accounted for under the equity method;

09 Fees received for standby contracts and other option arrangements where the savings association is obligated to purchase or sell securities at the option of the other party

10 Amounts due brokers between trade and settlement dates on the purchase of securities

Include all amounts due brokers for unsettled transactions.

11 The liability recorded for pensions and other post-retirement benefits

12 Negative goodwill

13 Amounts payable under interest-rate-swap agreements

14 Unapplied loan payments received for which the customer's account will be credited as of the date of receipt

15 Liability when the benefits of a loan servicing contract are not expected to adequately compensate the servicer

16 Recourse loan liability

17 Noninterest-bearing payables due to holding companies and affiliates

18 Litigation reserves

19 Nonrefundable stock subscriptions (Note that refundable stock subscriptions are reported as escrows on SC783)

20 Derivative instruments in a loss position, at fair value

Report the fair value of derivative instruments reportable as liabilities under SFAS No. 133.

99 Other (Use this code only for those items not identified above.)

Do not Include:

1. Escrows; report on SC783 (Escrows);
2. Deferred credits classified as contra-assets (*e.g.*, loans in process, deferred loan fees, etc.);
3. Yield adjustments on deposits; report on SC715 (Unamortized Yield Adjustments on Deposits);
4. Yield adjustments, commitment fees, and issue costs on FHLBank advances and other borrowings; report as part of the borrowings' balance;
5. Accrued interest on escrow accounts; report on SC783 (Escrows);
6. U.S. Treasury tax and loan accounts administered under the remittance option requiring the remittance of the previous day's balance to a Federal Reserve Bank; report on SC710 (Deposits); and
7. Unapplied loan payments received for which the customer's account will be credited as of the date of transfer rather than the date of receipt from the customer; report on SC710 (Deposits).

SC792, 795, and 798: Amount

Report the dollar amounts corresponding to the codes reported on SC791, 794, and 797.

SC70: Total Liabilities

Report the sum of SC710, SC783, SC715, SC72, and SC75. This line will be automatically computed by the electronic filing software.

REDEEMABLE PREFERRED STOCK AND MINORITY INTEREST

SC799:

Report items that have characteristics of both liabilities and equity capital and that in accordance with GAAP should not be classified as equity capital.

Include:

1. Redeemable preferred stock issued by the reporting savings association;
2. Perpetual preferred stock issued by consolidated subsidiaries to third parties constituting minority interest; and
3. Income Capital Certificates issued to FSLIC Resolution Fund for which cash has been received and no FSLIC note remains on the books of the reporting savings association.

Do not include:

1. Redeemable preferred stock issued by consolidated subsidiaries to third parties; report on SC760 (Other Borrowings);
2. Preferred stock (redeemable and perpetual) issued by consolidated subsidiaries to the reporting savings association or its other subordinate organizations; when consolidating these must be eliminated; and

Note: Savings associations with investments in subsidiaries where the investment is fully covered by the FDIC should not consolidate such subsidiaries in this schedule. All FDIC-covered assets are included in the 0% risk-weight category and reported on CCR410 (FDIC Covered Assets).

Investments in **mutual funds** and certain asset pools are dealt with in these instructions according to the characteristics of the assets in the portfolio of the fund. Where the portfolio of the mutual fund consists of various assets that would be treated differently under the capital requirement, the entire ownership interest in the mutual fund will be risk weighted based on the category of the asset with the highest capital requirement (*e.g.,* highest risk weight or subject to deduction). As permitted by OTS Regulation 567.6(a)(1)(vi)(c), on a case-by-case basis, OTS may allow the reporting savings association to assign the portfolio proportionately to the various risk-weight categories based in the proportion in which the risk-weight categories are represented by the composition of assets in the portfolio.

The term **"lower-tier" subsidiaries** as used in these instructions refers to subsidiaries in which the savings association does not directly hold an ownership interest; rather, the ownership interest is held, directly or indirectly, by a service corporation or operating subsidiary.

TIER 1 (CORE) CAPITAL REQUIREMENT

CALCULATION OF CORE (TIER 1) CAPITAL

CCR100: Equity Capital

Report the amount of equity capital reported on SC80 (Total Equity Capital), which is stated in accordance with GAAP.

This line will be automatically generated from SC80 (Total Equity Capital) by the electronic filing software.

Explanatory Note:

> **Schedule CCR makes the adjustments to Equity Capital (CCR100) shown below in calculating Tier 1 (core) capital in accordance with the OTS capital rule. For example, the OTS capital rule does not include cumulative perpetual preferred stock in Tier 1 (core) capital. Furthermore, the OTS capital rule requires savings associations to deduct debt and equity investments in nonincludable subsidiaries and certain other assets from total assets and equity capital in computing Tier 1 (core) capital. Also, the OTS capital rule reverses the adjustment to GAAP equity for unrealized gains and losses on available-for-sale debt securities included in SC860 in computing Tier 1 (core) capital. Marketable equity securities, however, are carried at the lower of cost or market for Tier 1 (core) capital purposes.**

Deduct:

CCR105: Investments In and Advances To "Nonincludable" Subsidiaries

Tier 1 (core) capital is reduced by the savings association's investment in, advances to, and guaranteed obligations of certain nonincludable subsidiaries. "Subsidiary" is defined in the general instructions to Schedule CCR, above.

In consolidation, the investment and intercompany loan accounts of subsidiaries have been eliminated on Schedule SC; therefore, the amount of the investment and advances must be obtained from the parent's books prior to consolidation. The investment must be calculated using the equity method as prescribed by GAAP plus any loans, advances, guaranteed obligations, or other extensions of credit, whether secured or unsecured. Negative investments can be used to offset loans, guaranteed obligations, or advances to the same subsidiary, but may not reduce this line to a negative amount. If you have a nonincludable subsidiary and the result on this line rounds to zero or is a negative amount, report a "1" to indicate that you have reported your nonincludable subsidiary.

Note that savings associations with investments in subsidiaries and/or equity investments where the investments are fully covered by the FDIC report such investment on CCR410 (0% Risk-weight: FDIC Covered Assets) regardless of the business activity of the entity in which the investment is made.

"Nonincludable" Subsidiaries

"Nonincludable" subsidiaries are defined by Section 5(f) of the HOLA as subsidiaries of a savings association that engage in activities impermissible for a national bank with the following exceptions:

1. Subsidiaries only engaged in impermissible activities as an agent for its customers where the subsidiary has no risk of loss;
2. Subsidiaries engaged solely in mortgage banking activities;
3. Subsidiaries that are insured depository institutions that were acquired prior to May 1, 1989;
4. Subsidiaries of federal savings associations that existed on August 8, 1989, and were chartered prior to October 15, 1982, as a savings bank or cooperative bank under state law; and
5. Subsidiaries of federal savings associations that existed on August 8, 1989, that acquired their principal assets from a savings association that was chartered prior to October 15, 1982 as a savings bank or cooperative bank under state law.

A subsidiary of a savings association generally is deemed "nonincludable" if any of its unconsolidated assets are impermissible for a national bank. If any **lower-tier subsidiary** (see definition in the general instructions to this schedule) engages in impermissible activities or invests in an entity that engages in impermissible activities, but the first-tier subsidiary owned by the parent savings association does not directly engage in impermissible activities, the first-tier subsidiary is an **includable** subsidiary **(as revised by December 1996 Subsidiary and Equity Investments Rule)**. Only the investment of the first-tier subsidiary (or intermediate tier) in the nonincludable lower-tier subsidiary is deducted in computing the capital of the first-tier subsidiary (or intermediate tier) on an unconsolidated basis and the capital of the consolidated savings association in computing the consolidated savings association's capital. Equity investments of first-tier subsidiaries in lower-tier subordinate organizations not constituting subsidiaries are deducted from total capital if those investments are not permissible for national banks.

Savings associations should report 100% of their investments in and advances to "nonincludable" subsidiaries, net of all general valuation allowances, specific valuation allowances and charge-offs (all of which have already reduced equity capital).

CCR115: Goodwill and Other Intangible Assets

Because for most savings associations, the amount reported on this line will equal SC660 (Statement of Condition: Goodwill and Other Intangible Assets), this line will be automatically generated from SC660 by the electronic filing software. However, this amount may be changed in certain cases. For example: for purposes of regulatory capital only, the amount of goodwill and other intangible assets on this line that were acquired in a nontaxable purchase business combination **may** be reduced by any corresponding deferred tax liabilities.

Report this line as a positive amount; it will be deducted from equity capital in calculating Tier 1 (core) capital.

Include:

1. Core deposit intangible assets (CDIs); and
2. Purchased credit card relationships (PCCRs).

Do not include:

1. Servicing assets;
2. Certain nonsecurity financial instruments accounted for under SFAS No. 125; and
3. Net deferred tax assets

CCR120: Nonqualifying Equity Instruments

The only equity instruments that may be included in Tier 1 (core) capital are **noncumulative perpetual preferred stock** and **common stock**.

Any instruments **not meeting this definition**, reported on SC-812 (Perpetual Preferred Stock: Cumulative), SC-820 (Common Stock: Par Value) and SC-830 (Common Stock: Paid In Excess Of Par), must be deducted from capital on this line.

Report this line as a positive amount; it will be deducted from equity capital in calculating Tier 1 (core) capital.

Include:

1. Cumulative preferred stock reported on SC812;
2. Noncumulative and cumulative preferred stock reported on SC812 and SC814 that is, in effect, **collateralized** by assets of the savings association or its subsidiaries;
3. Noncumulative and cumulative preferred stock reported on SC812 and SC814 where the dividend adjusts based on current market conditions or indexes and the issuer’s current credit rating;
4. Permanent Income Capital Certificates (PICCs) reported on SC812; and
5. Any other equity instruments reported on SC812 through SC830 that do not qualify as Tier 1 (core) capital pursuant to OTS Regulation 567.5.

CCR133: Disallowed Servicing Assets, Disallowed Deferred Tax Assets, and Other Disallowed Assets

Report this line as a positive amount; it will be deducted from CCR20 in computing Tier 1 (core) capital.

Disallowed Servicing Assets

Savings associations may include servicing assets reported on SC642 and SC644 in regulatory capital, subject to both of the following limitations.

For mortgage and nonmortgage servicing assets, and PCCRs, combined - include in capital the lesser of:

- 100% of Tier 1 (core) capital,
- 90% of fair value, or
- 100% of reported amount.

For nonmortgage servicing assets and PCCRs, as a separate sub-limit - include in capital the lesser of:

- 25% of Tier 1 (core) capital,

- 90% of fair value, or
- 100% of reported amount.

Accordingly, on CCR133, include the amount of servicing assets reported on lines SC642 and SC644 (that are not in a “nonincludable” subsidiary) and PCCRs included on SC660 that exceed the above limitations.

For purposes of the 25% and 100% of Tier 1 (core) capital limitations above, the deduction should be based on a Tier 1 (core) capital subtotal before the deduction. Also, in computing the deduction for the 25% and 100% limitations, the reported amount of servicing assets may be reduced by any corresponding deferred tax liability.

Disallowed Deferred Tax Assets

Also include on CCR133 the amount of disallowed deferred tax assets that will be deducted from regulatory capital. To the extent that the realization of deferred tax assets depends on a savings association’s future taxable income (exclusive of reversing temporary differences and carryforwards), or its tax planning strategies, such deferred tax assets are limited for regulatory capital purposes to the lesser of:

- The amount that can be realized within one year, or
- 10% of Tier 1 (core) capital.

Accordingly, disallowed deferred tax assets is that amount includable in assets under GAAP, but **not** includable in regulatory capital pursuant to OTS policy. The deferred tax asset subject to the limitation is the net deferred tax asset or liability included on Schedule SC, adjusted for the deferred tax asset or liability added to or subtracted from total assets related to the following:

- Net unrealized gains and losses on certain available-for-sale securities on CCR137,
- Goodwill and other intangible assets on CCR155 and CCR250, and
- Servicing assets on CCR170.

Note that deferred tax assets that can be realized from the following generally are **not** limited:

- Taxes paid in prior carry-back years, and
- Future reversals of existing taxable temporary differences.

For purposes of the 10% of Tier 1 (core) capital limitation above, the deduction should be based on a Tier 1 (Core) capital subtotal before the deduction.

Add:

CCR102: Accumulated Losses (Gains) on Certain Available-for-Sale Securities and Cash Flow Hedges, Net of Taxes

Report on this line:

1. **Accumulated Unrealized Gains and Losses on Certain Available-for-Sale Securities**

   Equity capital on SC80 includes a separate component for accumulated unrealized gains and losses, net of income taxes, on available-for-sale (AFS) securities (SC860, “Unrealized Gains (Losses) on Available-for-sale Securities”). However, most of that separate component of equity capital is **not** included in regulatory capital, as specified below.

   Specifically, for regulatory capital purposes (but **not** for regulatory reporting purposes on Schedule SC):

- AFS debt securities are to be reported at amortized cost (**not** at fair value); and
- AFS equity securities are to be reported at the lower of cost or fair value (**not** at fair value).

Report on CCR102 the amount on SC860 (Unrealized Gains (Losses) on Available-for-Sale Securities), adjusted for losses on certain equity securities, as follows:

a. SC860 (Unrealized Gains (Losses) on Available-for-Sale Securities)

b. Plus: As a positive number, any portion of the amount of SC860 that represents net unrealized **losses**, net of income taxes, on **equity** securities (but **not debt** securities).

2. Accumulated Gains and Losses Related to Qualifying Cash Flow Hedges

Report on CCR102 any accumulated gains and losses related to qualifying cash flow hedges that are included in SC890 (Other Components of Equity Capital).

Report the result on CCR102 as follows:

- When the amount to be entered on this line represents **gains** net of losses, report a **negative** number, reducing capital; or
- When the amount to be entered on this line represents **losses** net of gains, report a **positive** number, increasing capital.

Any corresponding adjustment to assets, including adjustments to income tax assets, should be reported on CCR137. See the instructions for line CCR137 for additional information.

CCR220: Qualifying Intangible Assets

Report the sum of the following assets:

1. Core deposit intangible assets (CDIs) on a savings association's books or under firm contract as of March 4, 1994, up to 25% of Tier 1 (core) capital.

   CDIs should be accounted for in accordance with generally accepted accounting principles, incorporating credible and supportable assumptions. Valuation of CDIs is based on a variety of assumptions regarding interest rates for alternative funding, costs other than interest associated with the core deposit base, the decay rate for an acquired customer base, and a discount rate. Included CDIs should have their amortization rates adjusted at least annually to reflect decay rates (past and projected) in the acquired customer base. The OTS may restrict a savings association's inclusion of otherwise grandfathered CDIs in capital if the OTS determines that the savings association is not accounting for CDIs prudently.

   For purpose of the 25% of Tier 1 (core) capital limitation above, this addition should be computed in a manner such that the amount of grandfathered CDIs included in Tier 1 (core) capital on CCR20 does not exceed the limitation. Also in computing this addition, the amount of grandfathered CDIs included on this line **should** be reduced by any corresponding deferred tax liabilities that reduced the amount of grandfathered CDIs included on CCR115.

2. Purchased credit card relationships (PCCRs) included on SC660 and CCR115. Note, however, that PCCRs are subject to deduction on CCR133.

CCR125: Minority Interest in Includable Consolidated Subsidiaries Reported on SC799

Report the minority interest of common and noncumulative permanent preferred shareholders of **includable** subsidiaries that are consolidated in Schedule SC and reported on SC799 (Minority Interest in Consolidated Subsidiaries). See the instructions for CCR105 for a definition of "nonincludable" subsidiaries. Minority interest in “nonincludable” subsidiaries is not grandfathered and cannot be included. The amount reported on this line will be added to equity capital in calculating Tier 1 (core) capital.

Include only that minority interest in equity instruments that qualifies as Tier 1 (core) capital at the savings association level (*i.e.*, minority interest in common and noncumulative permanent preferred stock).

CCR130: Mutual Institutions’ Nonwithdrawable Deposit Accounts Reported on SC710

Mutual savings associations report nonwithdrawable and pledged deposit accounts meeting the definitions below. The amount reported on this line will be added to equity capital in calculating Tier 1 (core) capital.

Nonwithdrawable accounts are defined in OTS Regulation 561.31 as accounts that by the terms of the contract with the holder or by provisions of state law cannot be paid to the holder until all liabilities, including other classes of share liability, of the savings association have been fully liquidated and paid upon the winding up of the savings association.

Pledged deposits are those for which the pledge and escrow agreements provide the regulatory agencies with the authority to cancel the pledged accounts and turn over the account funds to the savings association.

Do not include:

1. Accounts that accumulate interest;
2. Accounts with fixed maturities;
3. Accounts that under certain conditions can be withdrawn at the option of the account holder;
4. Accounts deposited with subsidiary stock depository institutions;
5. Treasury shares held by the savings association; or
6. Deposits pledged against loans made to the depositor (share loans).

CCR20: Tier 1 (Core) Capital

Report CCR100 less CCR105, CCR115, CCR120, CCR133 plus CCR102, CCR220, CCR125, and CCR130.

This line will be automatically computed by the electronic filing software.

CALCULATION OF ADJUSTED TOTAL ASSETS

CCR135: Total Assets

Report total assets of the consolidated entity as reported on SC60 (Total Assets).

This line will be automatically generated from SC60 (Total Assets) by the electronic filing software.

Deduct:

CCR145: Assets of "Nonincludable" Subsidiaries

Report the entire amount of the assets of "nonincludable" subsidiaries included in Schedule SC. For consolidated subsidiaries, the amount reported here should equal total assets of the subsidiary less any assets eliminated in consolidation. For subsidiaries accounted for under the equity method, the amount reported here should equal the thrift's investment account plus all advances to the subsidiary.

Report this line as a positive amount; it will be deducted from total assets in calculating CCR25 (Adjusted Total Assets).

CCR155: Goodwill and Other Intangible Assets

Because for most savings associations the amount reported on this line will equal SC660 (Statement of Condition: Goodwill and Other Intangible Assets), this line will be automatically generated from SC660 by the electronic filing software. However, this amount may be changed in certain cases.

Report this line as a positive amount; it will be deducted from total assets in calculating CCR25 (Adjusted Total Assets).

CCR170: Disallowed Servicing Assets, Disallowed Deferred Tax Assets, and Other Disallowed Assets

Because for most savings associations the amount reported on this line will equal CCR133, this line will be automatically generated from CCR133 by the electronic filing software. However, this amount may be changed in certain cases. For example, deferred tax liabilities may be deducted from servicing assets on CCR133, but cannot be deducted from servicing assets on CCR170.

Report this line as a positive amount; it will be deducted from CCR135 in calculating CCR25 (Adjusted Total Assets).

Add:

CCR137: Accumulated Losses (Gains) on Certain Available-for-Sale Securities and Cash Flow Hedges

Report on this line:

1. **Accumulated Unrealized Gains and Losses on Certain Available-for-Sale Securities**

Report amounts included in total assets for accumulated unrealized gains and losses on certain available-for-sale securities, including any related component of income tax assets. Calculate the amount included on this line for unrealized gains and losses on certain available-for-sale securities as follows:

a. The amount included in SC60 (Total Assets) that corresponds to the separate component of equity capital reported on SC860.

b. Plus: As a positive number, any amount included in SC60 that represents net unrealized **losses** on **equity** securities (but **not debt** securities).

2. Derivative Instruments Related to Qualifying Cash Flow Hedges

Report amounts included in total assets for accumulated gains and losses related to qualifying cash flow hedges, including any related component of income tax assets.

Report the result on CCR137 as follows:

- When the amount to be entered on this line represents **gains**, net of losses, report a **negative** number reducing total assets; or
- When the amount to be entered on this line represents **losses**, net of gains, report a **positive** number increasing total assets.

The corresponding adjustment to equity capital should be reported on CCR102. See the instructions for line CCR102 for additional information.

CCR250: Qualifying Intangible Assets

For most savings associations the amount reported on this line will equal CCR220; therefore, this line will be automatically generated from CCR220 by the electronic filing software. However, in certain cases it may be appropriate to change this amount.. For example, where grandfathered CDIs included in CCR220 have been reduced by the corresponding deferred tax liabilities, the gross amount of grandfathered CDIs should be manually entered in this field.

CCR25: Adjusted Total Assets

Report CCR135 less CCR145, CCR155, CCR170, plus CCR137 and CCR250.

This line will be automatically computed by the electronic filing software.

CCR27: Tier 1 (Core) Capital Requirement

Report CCR25 (Adjusted Total Assets) multiplied by 3% for savings associations assigned a composite CAMELS rating of “1” and 4% for all other savings associations. This represents the Tier 1 capital necessary to be deemed adequately capitalized pursuant to 12 CFR Part 565.

This line will be automatically computed at 4% by the electronic filing software and may be manually input for those associations assigned a composite CAMELS rating of “1”. Associations that have an “individual minimum capital requirement” (IMCR) set by OTS, that requires the maintenance of a capital level in excess of the minimum requirement, should override the calculated amount and report their IMCR. In no case should this amount be less than 3% of CCR25.

100% Risk-weight

CCR505: All Other Assets

Report all other assets that are not included above or in any other risk-weight category.

Include:

1. Consumer loans;
2. Commercial loans;
3. All assets that are nonperforming or more than 90 days past due, except FDIC covered assets, which are reported on CCR410 (0% Risk-weight);
4. All repossessed assets including repossessed real estate, other repossessed assets, and equity investments that OTS determines have the same characteristics as real estate owned by the savings association (*e.g.*, stock from an REO workout firm that has been approved by OTS for inclusion in the 100% risk-weight category);
5. First and junior mortgages on 1-4 family dwelling unit properties that do not qualify for inclusion on CCR460 (50% Risk-weight: Qualifying Single family Residential Mortgage Loans);
6. Multifamily mortgage loans that do not meet the qualifying criteria for inclusion on CCR465 (50% Risk-weight: Qualifying Multifamily Residential Mortgage Loans);
7. Residential construction loans, except those to individuals to fund construction of their own home that are reported on CCR460 and except qualifying residential construction loans (bridge loans) as defined in CCR480;
8. Land loans less that portion that is deducted from capital and reported on CCR370 (Assets Required to be Deducted);
9. Nonresidential construction loans (as defined in the instructions for SC260 (Nonresidential Property) less that portion that is deducted from capital and reported on CCR370 (Assets Required to be Deducted);
10. Obligations issued by any state or any political subdivision thereof for the benefit of a private party or enterprise where that party or enterprise, rather than the issuing state or political subdivision, is responsible for the payment of principal and interest of the obligation (*e.g*., industrial development bonds);
11. Private-issue debt securities, including commercial paper, except those reported in the 20% or 50% risk-weight categories;
12. Investments in fixed assets and premises;
13. Qualifying intangible assets reported on CCR220;
14. Servicing assets, less the amount included on CCR133, and certain nonsecurity financial instruments (*i.e.,* those established pursuant to SFAS No. 125)
15. Residual classes of mortgage related securities;
16. The gross amount of wrap-around loans where the savings association is liable on the first mortgage or must assume the first mortgage to perfect its position (if this condition is not met, the wrap-around loan is reported net of the first mortgage);
17. Equity investments that are permissible for both savings associations and national banks and including:
    a. FNMA Stock;
    b. FHLMC Stock;

c. Equity investments in unconsolidated subordinate organizations (i.e., those subordinate organizations not qualifying as subsidiaries under 567.1(dd)) that are solely engaged in activities as agent for customers or engaged as principal in activities permissible for national banks or otherwise includable under Section 5(t) of the HOLA;

d. Real estate loans that are considered equity investments under GAAP and are includable under OCC's capital rule; and

e. Mutual funds and pass-through investments as defined in OTS Regulation 560.32, that invest in any of the above categories of permissible equity investments;

19. Loans to commercial entities collateralized by mortgages of third party borrowers (*e.g.*, warehouse loans);

20. Any other assets that are either not deduced from capital or not included in any other risk-weight category.

CCR510: Total

Report the amount entered on CCR505.

This line will be automatically computed by the electronic filing software.

CCR55: 100% Risk-weight Total

Report the risk-weighted product all 100% risk-weight assets (*i.e.*, 100% times CCR510).

This line will be automatically computed by the electronic filing software.

CONVERSION OF OFF-BALANCE-SHEET ITEMS TO ON-BALANCE-SHEET EQUIVALENTS

Off-balance-sheet items are included in the total risk-based capital standard after they have been converted into on-balance-sheet equivalents. Off-balance-sheet items are converted by taking the dollar amount of the off-balance-sheet item and multiplying it by the appropriate credit conversion factor from the table below.

The fair value of derivative instruments accounted for under SFAS No. 133 is included in either SC690, "Other Assets," or SC796, "Other Liabilities and Deferred Income." Where these on-balance-sheet derivative instruments are used for risk management purposes (rather than for trading), they should be treated as off-balance-sheet items for risk-based capital purposes. Accordingly, only the converted on-balance-sheet equivalent amounts should be risk-weighted, and not the amounts included in SC690 or SC796.

The on-balance-sheet equivalents (converted off-balance-sheet items) are placed in the appropriate risk-weight category just as any other on-balance-sheet assets. For example, an off-balance-sheet letter of credit would be placed in the same risk-weight category as the loan would be if the letter of credit were executed.

a. requirement against the amount of credit-risk exposure retained. This low level recourse amount is reported on CCR375 or CCR605. For example, in the sale of most assets with 1% recourse, the amount of liability retained is usually less than the capital requirement and therefore, 1% of the assets sold would be the capital requirement and be reported on CCR375 or CCR605 and no off-balance-sheet conversion is necessary);

b. Loans serviced for others where the savings association (or its subsidiaries) is liable for credit losses of the loans serviced (Note: In general, servicing of VA loans in GNMA pools is not considered recourse servicing; however, the OTS reserves the right on a case-by-case basis to treat it as recourse.) (Note: Savings associations should not risk weight the on-balance-sheet asset; rather, they should convert the full outstanding balance of the loans serviced at 100%);

c. The subordinated portions of senior/subordinated securities (both retained and purchased subordinated pieces) are treated identically to assets sold with partial, first-loss recourse under 2(a) above (Note: Savings associations, generally, should **not** risk-weight the on-balance-sheet subordinated security; rather, they should convert the full amount of both the senior and subordinate portions of the mortgage pool security at 100%);

d. Savings associations may elect to apply the 100% credit conversion factor to only the **retained** recourse amount related to transfers of small business loans and leases of personal property, in accordance with Section 208 of the Riegle Community Development and Regulatory Improvement Act of 1994; qualifying savings associations may apply the treatment under Section 208, as implemented in the related OTS rulemaking, to transfers on or after March 22, 1995 (See Section 208 of the Riegle Act and the related OTS rulemaking for detailed information related to this provision.);

3. Forward agreements and other contingent obligations with a specified draw down (*e.g.*, legally binding agreements to purchase assets at a specified future date). The savings association should convert the principal amount of the assets to be purchased on the date the agreement is entered into; and

4. Securities lent for a customer as agent, where the customer is indemnified against loss.

Interest-rate and Exchange-rate Contracts

Credit Equivalent Amount

This calculation translates interest-rate and exchange-rate contracts into an on-balance-sheet credit equivalent amount. The credit equivalent amount of interest-rate and exchange-rate contracts is the sum of: (1) current credit exposure, and (2) potential credit exposure.

The credit equivalent amount, consisting of the current exposure plus the potential credit exposure, is assigned to the appropriate risk-weight category and reported on one of the following lines:

20% Risk-weight

CCR435	Claims on FHLBs
CCR445	Claims on Domestic Depository Institutions
CCR450	Other (where the counter party is a Federal Reserve Bank)

50% Risk-weight

CCR480	Other (where the counter party is other than a domestic depository institution, a FHLBank, or a Federal Reserve Bank)

1. Current Credit Exposure

Current credit exposure is the replacement cost of the contract, measured in U.S. dollars, regardless of the currency specified in the contract.

Replacement cost is defined as the loss that would be incurred in the event of a counterparty default, as measured by the net cost of replacing the contract at the current market value. If default would result in a theoretical profit, the replacement value is considered to be zero. The calculation of replacement cost incorporates changes in both interest rates and counterparty credit quality.

2. Potential Credit Exposure

Potential credit exposure is defined as the estimated potential increase in credit exposure over the remaining life of the contract. It is calculated by multiplying the notional principal amount of the contract by the following:

Interest-rate Contracts

1. Zero percent, if the contract has a remaining maturity of one year or less, or
2. 0.5% if the contract has a remaining maturity greater than one year.

Exchange-rate Contracts

1. 1.0% if the contract has a remaining maturity of one year or less, or
2. 5.0% if the contract has a remaining maturity greater than one year.

Netting of Current Replacement Value under Qualifying Bilateral Netting Agreements

The current replacement values of multiple rate contracts with a single counterparty may be netted under a qualifying bilateral netting agreement in accordance with the OTS' bilateral netting rule. [12 CFR 567.6(a)(2)(v)(B)] A bilateral netting agreement is a master contract under which two parties agree to net the amounts they owe each other under rate contracts covered by the agreement to reduce their credit exposure. Contracts may only be netted for capital purposes under this rule if:

- The rate contracts are between the same two parties;
- Only interest rate contracts and foreign exchange rate contracts are netted for capital purposes;
- The bilateral netting contract covering the rate contracts results in a single netted amount being payable or receivable in case of the default, insolvency, bankruptcy, or similar circumstance of either party; and
- Savings associations that are party to the bilateral netting agreement have legal opinions concluding that the contract would be upheld by the courts and other legal authorities of relevant jurisdictions.

CCR605: Low-level Recourse Amount (Before Risk Weighting)

If the reporting savings association elects to convert its low-level recourse exposure to a risk-weighted asset amount under the risk-weighting alternative, the low-level recourse amount should be reported on this line. This amount is the maximum amount of a savings association's undertaking to absorb credit losses on assets, if this is less than the normal total risk-based capital charge (*i.e.,* 8% of risk-weighted asset amount) on the entire amount of the asset pool.

Include:

1. The amount of recourse liability (low level recourse amount) retained by a savings association when it is less than the capital requirement for credit-risk exposure and therefore not converted to an on-balance-sheet equivalent (*e.g.*, in the sale of most assets with 1% recourse, the amount of liability retained usually is less than the capital requirement, and therefore 1% of the assets sold would be reported on CCR375 or CCR605); see the instructions for the 100% credit conversion factor in the Conversion of Off-balance-sheet Items to On-balance-sheet Equivalents section above; and

Lagging Market Index ARMs

For purposes of these instructions, ARMs with indices that adjust to changes in market interest rates less quickly than "current market" indices are termed "lagging market index ARMs." Examples of lagging indices include:

1. Cost of funds indices (*e.g.*, FHLB 11th District Cost-of-Funds Index, Federal Cost of Funds Index),
2. National Average Contract Rate for the Purchase of Previously Occupied Homes,
3. Indices that are more than three months old (*e.g.*, rate adjustment is based on the 1-year CMT yield six months prior to the adjustment date),
4. Indices based on portfolio rates, rather than current offered rates, and
5. Rolling averages of indices using an index within the average that is more than three months old.

Information about lagging index ARMs should be divided into two groups based on the frequency with which their accrual rates reset. (Group ARM securities based on the frequency with which their underlying loans reset, not the coupon reset frequency of the security.) Lagging market index ARMs with accrual rates that reset:

1. Monthly or less should be reported in the Lagging Market Index column labeled "1 Month";
2. Less often than monthly, but at least every 5 years, should be reported in the Lagging Market Index column labeled "2 Mo. to 5 Yrs."

Lagging index ARMs that reset less often than every 5 years are reported with Fixed-Rate Balloon Mortgages (see instructions above). Fixed-rate "call" mortgages that qualify for reporting as ARMs should be reported in the Lagging Market Index column that best approximates the number of months between call dates.

ARMs Not Indexed To Treasury, LIBOR, or COF

The OTS Net Portfolio Value Model that estimates savings associations' interest rate exposure assumes the coupons of ARMs are determined by adding the reported margin to a Treasury rate index (for current market index ARMs) or a COF index (for lagging index ARMs). This treatment may result in inaccurate interest rate exposure estimates for ARMs whose coupons are not tied to a Treasury, LIBOR, or COF index (*i.e.*, not tied to the interest rates represented by codes 303 through 412, 811, 812, or 820 in Appendix A). Examples of ARMs not tied to those indices include those indexed to the prime rate or the National Average Contract Rate, and those with no contractual index whose coupon rates are set at the lender's discretion at each reset interval.

Savings associations with ARMs whose coupons are indexed to something **other** than a Treasury, LIBOR, or COF index should use the following reporting treatment.

After categorizing all ARM balances into the appropriate columns as described in the previous two sections, calculate what percent of each column's total balance (that is both teaser and non-teaser) is comprised of ARMs indexed to Treasury or LIBOR (for current marked indices) or a COF index (for lagging market indices).

If the ARM balances tied to a Treasury, LIBOR, or COF index comprise **less than fifty percent** of the total (*i.e.*, both teaser and non-teaser) balance in a given column, report an entry of 9999 in the margin cell for that column (CMR161 through CMR165).

If the ARM balances tied to a Treasury, LIBOR, or COF index comprise **fifty percent or more** of the total (*i.e.*, both teaser and non-teaser) balance, calculate the margin for that column based on only the margins of the non-teaser ARM balances that are tied to Treasury, LIBOR, or to a COF index.

All other ARM characteristics reported in the column (*e.g.*, WAC, WARM, time until next payment reset, rate caps and floors) should be based on all ARM balances in the column.

Teaser ARMs

"Teaser" ARMs are adjustable rate mortgages that were originated with a temporary, introductory interest rate (*i.e.*, a "teaser" rate). For purposes of Schedule CMR, an ARM should be reported as a Teaser ARM if:

1. It was originated with an accrual rate that was below the fully-indexed rate,
2. This introductory rate was scheduled to reset 12 months or less after the first scheduled payment, and
3. The ARM's first reset date has not yet passed.

Mortgages whose interest rates are fixed for a specified number of years and then adjust annually (such as so-called 3/1 or 5/1 ARMs), should generally **not** be reported as Teaser ARMs, because they will rarely meet criteria 1 through 3 above.

CMR141 Through CMR145: Balances Currently Subject to Introductory Rates

The outstanding balance of teaser ARM loans, participations, and securities currently subject to teaser rates should be reported by type of index and reset frequency in CMR141 through CMR145.

CMR146 Through CMR150: Weighted Average Coupon (WAC)

The WAC for each index and reset frequency category should be reported, in percentage points, in CMR146 through CMR150. Calculate the WAC as described in the General Instructions to Schedule CMR, using **coupon rates for mortgage loans and pass-through rates for mortgage securities**. For loans serviced by others, use the contract rate of the loans in this calculation. That is, do not subtract the servicing fee.

For example, suppose a savings association has $100,000 in ARM loans currently paying 8% interest and $200,000 of ARM securities with a pass-through rate of 7.40%. That savings association would report a WAC of 7.60% for the combined $300,000 balance. That is,

$$\text{WAC} = \frac{\$100{,}000\ (8.00\%) + \$200{,}000\ (7.40\%)}{\$300{,}000}$$

$$= 7.60\%$$

Note that for 1-month COFI ARMs, the WAC should be calculated using the interest rate on which the current payment is based, not the accrual rate.

Non-Teaser ARMs

Report the following items by type of index and reset frequency for ARMs that are not subject to an introductory teaser rate:

CMR156 Through CMR160: Balances of All Non-Teaser ARMs

The outstanding balance of loans, participations, and securities in each index and reset frequency category should be reported in CMR156 through CMR160.

CMR161 Through CMR165: Weighted Average Margin

The weighted average margin of each ARM category should be reported, in basis points, in CMR161 through CMR165. The weighted average margin is calculated as described in the General Instructions to Schedule CMR.

CMR473 Through CMR475: Government and Agency Securities

Report debt instruments issued by the US government and non-mortgage debt issued by federal agencies.

Include:

1. US Treasury securities (except Treasury bills, which are reported in CMR470);
2. non-mortgage debt issued by FNMA, FHLMC, GNMA, the FHLB System, and other government-sponsored agencies;
3. FICO bonds; and
4. SBA securities.

Do not include:

1. Mortgage-backed instruments or derivatives issued or guaranteed by FNMA, FHLMC, or GNMA; report these with Mortgage-Backed or Mortgage-Derivative Securities as appropriate;
2. Complex securities, (including “structured securities”), as described in Thrift Bulletin 13a, Appendix D; report these in CMR485;
3. Stripped securities; report these in CMR470;
4. Stock of Federal agencies;
5. Securities issued by state or local governments;
6. Securities purchased under overnight repurchase agreements.

In CMR473 report the outstanding principal balance of the relevant instruments. Report the **weighted average coupon** (WAC) of those balances in CMR474 and their **weighted average remaining maturity** (WARM) in CMR475. (The General Instructions to Schedule CMR describe the calculation of both of these items.)

Optional Supplemental Reporting

If the balance reported in CMR473 includes adjustable rate or inverse floating rate securities, that balance may be reported at a greater level of detail in the Optional Supplemental Reporting Section. The Additional detail provided by such reporting will improve the estimates produced by the OTS Net Portfolio Value Model. For information, see the instructions for Optional Supplemental Reporting for Assets/Liabilities.

CMR476 Through CMR478: Term Fed Funds, Term Repurchase Agreements, and Interest-Earning Deposits

Include in this section any Fed funds sold and securities purchased under repurchase agreements that were not reported in CMR461. Also include interest-earning nonmaturity deposits and all time deposits held with banks and other depository institutions (including FHLBs). Report the outstanding principal balance in CMR476, the **weighted average coupon** of those balances in CMR477, and their **weighted average remaining maturity** in CMR478. For deposits, which have no contractual maturity, use 1 month in the calculation of the WARM.

CMR479 Through CMR481: Other (Munis, Mortgage-Backed Bonds, Corporate Securities, Commercial Paper, Etc.)

This section includes a broad range of securities:

1. Debt securities issued by state and local governments;
2. Commercial paper and other corporate debt securities (except for structured securities, as described in Appendix D of Thrift Bulletin 13a; report these in CMR485);
3. Mortgage-backed bonds;

4. Promissory notes;
5. Limited life preferred stock.

Do not include callable securities of these types; report these under CMR485.

Report the outstanding principal **balance** of these securities in CMR479, their **weighted average coupon** in CMR480, and their **weighted average remaining maturity** in CMR481. (In calculating the WAC, use the tax-equivalent yield for state, county, and municipal securities and the dividend yield for preferred stock.)

Optional Supplemental Reporting

If the balance reported in CMR479 includes adjustable rate or inverse floating rate securities, that balance may be reported at a greater level of detail in the Optional Supplemental Reporting Section. The additional detail provided by such reporting will improve the estimates produced by the OTS Net Portfolio Value Model. For information, see the instructions for Optional Supplemental Reporting for Assets/Liabilities.

CMR485: Outstanding Balance of Structured Securities

Report the outstanding balance of all complex securities, including structured securities, (both terms are defined in footnote 1, page 204. Report all zero-coupon securities (callable and noncallable) that meet the criteria for this line, using the recorded investment instead of the outstanding balance. **Do not include** mortgage derivative securities.

Note: If a non-zero balance is reported in this line item, the reporting savings association must **also report** its estimates of the market value of these securities in CMR962 through CMR968.

CMR490: Total Cash, Deposits, and Securities

Report the total in CMR461, CMR464, CMR470, CMR473, CMR476, CMR479 and CMR485.

Additional Items

Certain additional items needed for the OTS Model are reported in this section. The definitions and instructions for these items are the same as on Schedule SC.

Items Related to Mortgage Loans & Securities

The following items pertain to asset balances reported in CMR125, CMR185, CMR261, CMR262, CMR281, CMR282, CMR291, CMR292, CMR311, and CMR312.

CMR501: Nonperforming Loans

Report the outstanding balance of nonperforming mortgage loans and securities. Nonperforming loans are defined as nonaccrual loans plus loans that are at least 90 days past due but still accruing interest. **Include** nonperforming mortgage warehouse loans that are reported in SC23, Mortgage Loans. **Do not include** nonperforming home equity or secured home improvement loans that are reported in SC34, Consumer Loans.

CMR502: Accrued Interest Receivable

Report amounts of the types reported in SC220 (Accrued Interest Receivable on Mortgage Pool Securities) and SC272 (Accrued Interest Receivable on Mortgage Loans). **Include** interest receivables on mortgage warehouse loans that are reported in SC23, Mortgage Loans. **Do not include** interest receivables on home equity or secured home improvement loans that are reported in SC34, Consumer Loans.

that would occur in prepayment rates under each interest rate shock. If the valuation is performed by estimating the present value of future cash flows, both the discount rates and expected future cash flows should reflect the current yield curve of that or similar instruments in the current rate scenario and, in the shocked scenarios, should reflect likely changes that would occur under each shock.

CMR912 Through CMR918: Market Value Estimates of Off-Balance-Sheet Contracts

Report an estimate of the market value of off-balance-sheet (OBS) contracts according to the instructions for case 1 or 2 below.

Case 1: The savings association holds OBS contract(s) for which contract codes are **not** listed in the instructions. In such instances, report market value estimates for those contracts, in each of the seven interest rate scenarios listed, on CMR912 through CMR918.

Case 2: The reporting savings association has more than 16 OBS contract positions **and** has chosen to provide its own market value estimates of the additional positions instead of reporting them in the section for optional supplemental reporting for off-balance-sheet positions (see "Reporting More Than 16 OBS Positions" in the section "Off-Balance-Sheet Contracts" of the Schedule CMR Instructions). In such instances, the savings association **must** report the estimated market value of the additional positions, in each of the seven interest rate scenarios listed, on CMR912 through CMR918.

Savings associations may also include in this section estimates of the market value of loan servicing rights other than single-family first mortgages (e.g., servicing of commercial real estate, second mortgages, home equity loans, auto loans, credit cards, etc.).

Assumptions used in calculating market value estimates should be reasonable.

CMR922 Through CMR928: Market Value Estimates of Mortgage Derivative Securities

Reporting Information: Certain savings associations must report the estimated aggregate market value of mortgage-derivative securities in each of the seven interest rate scenarios. This is in addition to the general requirement that savings associations report the recorded investment of these securities on CMR351 through CMR376 (as described in "Mortgage-Derivative Securities," in the section, "Assets").

Savings associations meeting **any** of the three conditions below are **required** to report estimated market values of their entire portfolio of mortgage-derivative securities:

1. Assets exceeding $500 million; or
2. High-risk mortgage-derivative securities (as described in "Mortgage-Derivative Securities," in the section "Assets") acquired after December 31, 1988; or
3. Recorded investment of the portfolio of mortgage-derivatives exceeding 5 percent of total assets.

Savings associations meeting any of these three conditions should report the market value of all CMOs, residuals, stripped MBS, and CMO swaps under the seven interest rate scenarios in CMR922 through CMR928. **In valuing floating-rate CMOs, which are reported on CMR351 and CMR352, savings associations should use a methodology that (1) values the cap and floor of the floater and (2) discounts cash flows using the zero-coupon Treasury curve and a spread to the curve. There is a detailed description of a methodology that incorporates these two requirements in CEO Memo 55, dated April 30, 1996. The memo is available on OTS's web site, www.ots.treas.gov.**

Savings associations not required to report estimated market values may do so at their option, but must include market values for all mortgage derivatives whose recorded investments are reported in CMR351 through CMR376.

Use of Information: When calculating a savings association's Interest Rate Risk Report, the OTS Model will use market value estimates of mortgage derivatives for savings associations that report them. For savings associations that have such derivatives but do not report market value estimates, the OTS Model will estimate market values using values of similar instruments as proxies.

CMR942 Through CMR950: Market Value Estimates of Options on Liabilities

Reporting Information: Savings associations that have issued liabilities with contractually stated options should report information about these instruments according to the following instructions.

Include:

1. Callable bonds,
2. Redeemable preferred stock,
3. Variable-rate liabilities with embedded floors or caps, and
4. Fixed-rate, fixed-maturity deposits with early withdrawal penalties that are not stated in months of forgone interest (*i.e.*, deposits not reported in CMR653 through CMR655).

Do not include:

1. Nonmaturity deposits, and
2. Fixed-rate, fixed-maturity deposits with early withdrawal penalties that are stated in months of forgone interest (*i.e.*, deposits that are reported in CMR653 through CMR655).

Information about options on liabilities is reported in three places — the first is mandatory, the last two are optional:

1. Report information about liabilities with options in the sections of Schedule CMR appropriate to each type of instrument.
2. At the option of the reporting savings association, it may report its estimate of the incremental value of the options on liabilities, in each of the seven interest rate scenarios listed, in CMR942 through CMR948. The incremental value of the options is defined as the difference between the value of liabilities with options and the value of liabilities without such embedded options. For example, floors (caps) would be reported with positive (negative) values or zero.
3. If the reporting savings association chooses to report its estimates of the market value of options on liabilities (*i.e.*, option 2 above), it should also report, in CMR950, the principal value of the liabilities in which those options are embedded. Otherwise, leave CMR950 blank.

Example: A savings association has issued variable-rate liabilities with floors; it should report them on CMR721 through CMR748. Optionally, the savings association **may** report the market value of the floors on CMR942 through CMR948. If this option is chosen, the savings association must report the principal value of the underlying liabilities in CMR950.

Use of Information: The OTS Net Portfolio Value Model will estimate the value of liabilities containing options in the same way that it values similar liabilities that do not contain options. OTS will **not** estimate the value of such embedded options because of the considerable additional information that would be required to do so. Rather than attempt to collect such information, estimating the incremental value of the option is being left to the reporting savings association. For savings associations that opt not to report the estimated value of